



William Graham AM  
Chair, Enterprise and Business Committee  
National Assembly for Wales  
Cardiff Bay  
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Dear William

Thank you for your letter of 21 October following the budget scrutiny session by the Enterprise and Business Committee on 16 October. I have set out below responses to the issues raised in your letter together with the additional information requested at the Committee meeting.

### **Further Education (FE)**

#### *Funding reductions – impact on vocational courses*

The post-16 sector is a critical sector for Welsh Government, and 16-18 year olds are protected by statute. We recognise the importance of School sixth forms and FE Institutions in the drive to reduce the number of young people not in employment, education or training and in increasing the skill levels of young people before they enter the world of work. Therefore impacts on 16-18 year olds will, as far as possible, be kept to a minimum.

Where efficiencies are required we would expect Local Authorities and FE Institutions to maintain learner options wherever possible by working in partnership and reducing duplication of provision and small class sizes. Using the new planning and funding methodology, introduced for 2014/15 academic year, we will be prioritising our funding on those programmes that deliver the best outcomes for learners.

We recognise that the reductions in funding to the Learner Provision Budget Expenditure Line (BEL) will have an impact on the ability of FE Institutions to provide vocational courses, particularly to adult learners. My officials will continue to work closely with the sector to evaluate available options and to minimise the impact of any reductions on learning. We do not expect that reductions in the Work Based Learning BEL will have an adverse impact on the ability of FE Institutions to provide vocational courses.

#### *Prioritisation of funds – impact assessment*

As we work through these difficult times, it is ever more important that we focus not just on the resources that are available but how we use them and what we achieve. Key to this is the importance of working closely with the post-16 sector to manage what is turning into a series of difficult budget settlements.

In order to lessen the impact of the reduction in funding to FE Institutions, my officials are working to identify funding for the continuation of the Skills Priority Programme in 2015/16, which will be allocated to support post-19 part time employed learners looking to up-skill.

My officials are also working closely with ADEW to identify an improved method of calculating Sixth Form Learner numbers and with a ColegauCymru working group regarding the allocation of any part time employed budget.

We expect providers to prioritise their delivery and deliver not only to the 16-18 cohort, but also support for those learners considered most vulnerable. However a reduction in budget of this size, following larger reductions in 2014-15 is going to have negative effects on particular learner groups and my officials continue to work closely with the sectors to ensure wherever possible any impact is kept to a minimum.

## **Apprenticeships**

It is extremely difficult to reliably estimate the numbers of new entrants onto the Apprenticeship programme. This is due to a range of factors that must be considered including:

- the number of learners whose learning continues into the new year – the peaks of recruitment in recent years have created above average numbers of learners continuing into the following year, which thereby reduces the quantum of funding available for new entrants;

- the level of awards being undertaken, for example, Higher Apprenticeships are generally more costly to deliver than many foundation apprenticeships; and

- the sectors being delivered, for example, manufacturing apprenticeships are more costly to deliver than business administration apprenticeships.

The level and type of the delivery will be governed by employer demand which varies from year to year. Nevertheless, considering all these factors, officials believe that the estimated number of new entrants between 17,000 and 19,000 for 2015/16 remains realistic.

The number of apprenticeships will continue to be collected through the Lifelong Learning Wales Record and be published as statistics for Wales by Welsh Government Knowledge and Analytical Services.

My officials were aware that additional funding for the apprenticeship programme, which resulted in a peak of new starts in 2012/13 academic year, would cause an above average number of learners continuing into the following year. It was recognised that the number of new entrants would drop and that this would need to be managed by incrementally reducing the additional funding available.

No contingency or additional funding is available but there is no reason to believe that the estimated number of new starts is overstated.

It is not possible at this stage to provide a breakdown of new starts on a sector basis as the figures quoted are based on historical patterns of delivery, which will not necessarily reflect actual demand for 2015/16. However, of the estimated 17,000 – 19,000 starts, a significant proportion will be within the Welsh Government's priority areas - Higher Apprenticeships or apprenticeships undertaken by learners aged 16-24.

## Equality

The budget proposal will impact on the availability of apprenticeship opportunities for learners aged 25 years and over. Any new entrants who are aged 25 and over (excluding Higher Apprenticeships) must be new entrants to the labour market and must be at level 3 (or at level 2 en route to level 3). We will monitor the take up of these apprenticeship opportunities through the Lifelong Learning Wales Record to evaluate equality of opportunity.

## Jobs Growth Wales

Following the in-year budget cuts during 2014-15 and reductions presented in 2015-16, there will be 1,000 fewer Jobs Growth Wales places during 2014-15 and 600 fewer places in 2015-16. Despite these reductions, and as communicated to the Committee at the time of scrutiny meeting we fully expected to deliver our target of 16,000 job opportunities, which has now been achieved. The remaining funding will continue to be supported by match funding from the European Social Fund (ESF).

The 15% reduction, which equates to 600 places, will be applied equally across all the Jobs Growth Wales strands. The graduate stand has now concluded and will therefore not continue in 2015/16.

There are no particular industry sectors that have been prioritised— employers across all sectors can apply to create Jobs Growth Wales job opportunities.

## European Funding

The table below provides a summary of the revised intervention rates negotiated with WEFO for the 2007-2013 projects. My officials are undertaking detailed discussions with WEFO on the agreed DfES transition plan in order to manage the closure of 2007-2013 projects and the development of new projects for the 2014-2020 round.

<b>ESF project</b>	<b>Original Grant Rate</b>	<b>Revised Grant Rate</b>
React Convergence	36.85%	44.50%
React RCE (regional competitiveness)	18.38%	23.66%
Skills Growth Wales Convergence	59.29%	60.45%
Skills Growth Wales RCE	31.54%	40.00%
Essential Skills in the Workplace Convergence	62.00%	62.00%
Essential Skills in the Workplace RCE	39.99%	39.99%
ELMS Convergence	42.04%	42.04%
ELMS RCE	33.45%	33.45%
SPFP Convergence	43.29%	75.00%
Genesis Convergence	55.20%	55.20%
Genesis RCE	40.00%	40.00%
Pathways	31.34%	75.00%
Jobs Growth Wales Convergence	62.43%	75.00%
Jobs Growth Wales RCE	21.53%	64.58%
Apprenticeships Convergence	66.40%	75.00%

<b>ESF project</b>	<b>Original Grant Rate</b>	<b>Revised Grant Rate</b>
Traineeships Convergence	54.99%	75.00%
Routes to the Summit Convergence	54.54%	54.54%
First Footholds Convergence	54.52%	54.52%
MELAP	53.93%	54.51%

The DfES transition plan is underpinned by wider ESF strategy within DfES, which aims to maximise ESF income in support of DfES strategic priorities whilst moving towards a more streamlined portfolio of programmes post-2014. This will see a shift in emphasis away from direct delivery in a number of areas in favour of a more strategic commissioning role within DfES. This will contribute to a removal of the duplication and competition which currently exists across ESF-funded provision – also often competing with mainstream provision – and will create a more integrated portfolio of programmes delivering against clearly identified, shared outcomes with maximum impact.

The transition plan therefore takes account of opportunities, in particular, to test more regional approaches where such projects/structures already exist, and allows for detailed consideration of a variety of delivery models so that implementation can commence as early as possible under the new Programme round without the need for prolonged continuation of historic projects/structures where these do not support the new approach.

The plan therefore allows for continuation of activity which can provide guaranteed spend, where necessary, as well as meeting WEFO's other key priority of ensuring early approvals (and spend) under the future round.

### **Work Based Learning in the Social Care sector**

Specifically within the Health Care sector, recruiting learners aged 16-18 has proved less than straightforward. My officials will work with Health and Social Care representative organisations to explore how younger learners can be attracted into this occupation. I would be happy to update the Committee on these discussions in due course.

### **Higher Education**

I meet with the Chair and the Chief Executive of HEFCW on a quarterly basis to discuss recent events in Higher Education and their progress on delivering Welsh Government priorities - which I set out in an annual remit letter. My 2014 remit letter requested that the Council work with Higher Education Institutions (HEIs) to look at the costs of different activities and to develop whole-system measures for performance. There has been an ongoing dialogue about how that may work in the run-up to the introduction of the Higher Education (Wales) Bill. I have been clear that this should include the cost effectiveness of provision in the hope that it will encourage the sector to see the value of subjects such as STEM and to monitor the costs closely. I want to ensure that the funding that is coming from students is directed to those areas that are not only the ones that students wish to pursue in their studies, but the ones that are important to the economy and to Welsh society more broadly.

My officials meet regularly with the executive of the Council to discuss their operational plan and progress on key ministerial priorities. HEFCW also publishes an annual report of their

activities to show how successfully they have met their targets and how public funding is being used.

Our HEIs already undertake work with schools as part of their third mission; and there are already excellent examples of STEM activities targeting children, either through National Science Academy funding, or HEI's own resources. In addition, many Research Council grants require work to explain and present research to the wider public – much of which can be done for school pupils at various levels. However a more structured and coherent approach would benefit the HEIs, schools and our young people.

We have to be realistic and acknowledge that the tuition fee regime has changed the way we fund and manage the sector and ultimately, decisions about how HEFCW distributes its funding to the HE sector in areas such as research and post-graduate, STEM and other expensive subjects is a matter for the Council not the Welsh Government. I am aware that the tuition fee reforms and the Welsh Government budget settlement mean that the Council has some difficult decisions to make but I have made it clear to the Council that we need to aid transparency by communicating the impact on overall income levels of tuition fee reforms to help shape future debate.

The basic facts are that as a result of the changes to the funding regime, the HE sector in Wales will receive significant additional funding for the lifetime of this Government. This means that at a time of austerity the sector continues to see above inflation increases in income as demonstrated by the 11% and 13% increases detailed in the funding circulars released by HEFCW. That said, since the announcement of the reforms we have always been aware that HEFCW's funding formula would need to change to reflect the new funding regime. This means HEFCW's relationship with the sector in Wales has and will continue to change. The majority of HEFCW funding is no longer distributed directly to universities but is paid out in tuition fee grants to Welsh domiciled students. However, universities in Wales are better off under the new regime and there should be an expectation on our institutions to accept that what used to be funded by HEFCW via specific funding streams might now be regarded as their responsibility because the outcomes are important to Wales and to their own institutional ambitions. I would hope that this is the start of a partnership approach to delivering Welsh Government priorities in higher education, including a continued emphasis on the promotion of STEM subjects and on widening access.

I have been clear that I believe that there is room for improvement in the areas highlighted by the Committee and I have asked Sir Ian Diamond to undertake a fundamental review of how we fund higher education in Wales, this will include funding for postgraduate and part time study in Wales as well as the issue of expensive subjects. Until the independent panel outlines its findings and recommendations I will continue to outline my priorities to the Council and the Sector and I expect to see a responsible approach to the delivery of these priorities led by HEFCW as part of a partnership with the institutions.

## **Youth Entrepreneurship**

Whilst there is no specific, ring fenced budget to implement the Youth Entrepreneurship Strategy Action Plan, the development of entrepreneurial skills cannot be considered in isolation. We look to develop these skills through existing portfolio areas, such as our Work Based Learning network, FE Institutions, schools, and working in collaboration with the Department for Economy, Science and Transport (DEST).

Welsh Government is committed to embedding an entrepreneurial culture in Wales through the *YES Action Plan*, a joint DfES and DEST strategy. YES actively promotes partnership working with young people, business, education and community and third sector organisations. There are three main delivery themes under the strategy; Engaging,

Empowering and Equipping; and a wide range of actions under these three themes aim to improve the entrepreneurial skills of young people.

Enterprise and entrepreneurship activity is embedded into three key strands of education policy and delivery and available to all young people in school in Wales, namely:

The Careers and the World of Work Curriculum Framework (11-19);  
Learning Pathways 14-19; and  
The Welsh Baccaulaureate.

Primary responsibility for delivery of these three strands lies with schools and is included in schools core funding. This funding is unhypothecated as regards support for enterprise and entrepreneurship. The 14-19 Learning Pathways grant totalling £26,000 is being used to support Entrepreneurship and Enterprise Activities across Wales in 2014-15.

The Welsh Baccaulaureate Qualification (WBQ) sits alongside, incorporates and complements existing qualifications. As part of the Core element, all WBQ learners must complete a Work Related Education component. As part of this learners take part in a Team Enterprise Activity, and is intended to help learners understand how businesses work and to develop entrepreneurial skills. Key stakeholders are now working with my officials to ensure that the revised Welsh Baccaulaureate is a robust and world class qualification, which meets the needs of learners and of the economy of Wales.

In terms of our Work Based Learning programmes, entrepreneurship is an integral part of our programmes. In addition, Jobs Growth Wales includes a young Entrepreneurs bursary aimed at unemployed young people aged 16-24 starting up in business. This self-employed strand of Jobs Growth Wales has now helped young people to set up 370 new businesses.

The Youth Entrepreneurship Strategy aims to equip young people aged 5 to 25 with entrepreneurial skills and attitudes, and raise aspirations so they can fulfil their potential, whatever choices they make in their future working life. The strategy also aims to ensure that all young people are equipped with entrepreneurial skills, regardless of their intended employment path.

A number of measures are used to collectively assess the impact of the strategy on the entrepreneurial skills of young people. However, it should be remembered that the strategy aims to develop an entrepreneurial culture as opposed to purely measuring those young people who choose to immediately progress into self employment routes.

My officials are currently seeking an appropriate method of collating details on the number of young people in secondary education receiving enterprise activities. This will ensure that we are able to track young people and evaluate the impact of enterprise/entrepreneurial activity, for example in determining the numbers of young people who become self employed.

## **Careers Wales**

I note the Committee's concerns about a shift away from face-to-face services towards greater online provision. Since Career Choices Dewis Gyrfa (CCDG), which provides services as Careers Wales, became a wholly owned subsidiary of the Welsh Government on 1 April 2013, the remit of the company has been set out in the annual remit letter.

The current remit challenges Careers Wales to deliver services to clients in new and innovative ways, such as through use of the web, other online and telephone services. The

expectation set in the current remit is that Careers Wales use a blend of one-to-one, group sessions with young people as well as web-based services to address the needs of a majority of clients. The current remit has moved Careers Wales away from the delivery of 'standard' guidance interviews for all, with interventions now tailored around client need. This approach frees up the time of professional Careers Advisers, allowing them to address the needs of the priority groups through more intensive personal support.

Careers Wales provide quarterly performance reports to the Welsh Government and the Deputy Minister also meets with the Chair and Chief Executive of Careers Wales on a quarterly basis. These reports and meetings provide opportunity for Careers Wales to inform Welsh Government of any emerging issues regarding supply and demand for services.

The quarterly meetings between the Deputy Minister and the Chair of Careers Wales provide an opportunity to review the progress the company is making in delivering its remit, pressures on the service and the actions Careers Wales is taking to address these. The meetings and supporting quarterly performance review documentation are an effective way of holding the company to account for the services it provides. Welsh Government ensures that Careers Wales has the processes in place to correctly account for public funds and delivery of services. This includes monitoring the delivery of services, addressing policy questions and monitoring demand for services by clients.

Careers Wales' management information systems are used as the basis for the 5-tier model of engagement which underpins Welsh Government monitoring of the Youth Engagement and Progression Framework (YEPF). The model provides evidence of how effective partners' actions are being in supporting clients to become more engaged in education, training or employment. Careers Wales has a particular role in supporting those in Tier 3 (young people 16-18 not currently engaged in EET but in a position to re-engage) and the monthly management data provided by the 5 Tier model will, for this particular cohort, give improved insights into the effectiveness with which services are supporting young people. These systems are underpinned by independent research and evaluation commissioned by Careers Wales to ensure delivery of services is appropriate in terms of content and quality and provided in appropriate volume to meet the needs of clients.

In recent years Careers Wales has invested in independent research to better understand the influence that Labour Market Intelligence has on year 11 pupils career choices (Beaufort Research 2013); surveyed employers about what motivates them to become involved in education business link activities and supporting schools deliver curriculum outcomes (2011); and undertaken a stakeholder satisfaction survey covering schools, colleges, training providers, higher education and employers (2012). Whilst these stakeholder evaluations have not been published they are available on request if required.

Currently in hand are specifications for a stakeholder satisfaction survey for 2014. Furthermore, the results of a recent evaluation of the telephone helpline services will be known before the end of the year. Finally, Careers Wales has also contracted for research on young peoples preferences in how they receive careers information, advice and guidance be that online, via telephone or web chat or via traditional face-to-face services (2014). This last piece of work will add important evidence to the debate on future service delivery and will be completed before the end of the financial year. The research and evaluation activity described above is planned work previously agreed with the Welsh Government.

The outcomes from these pieces of work will shape the articulation and implementation of the remit for 2015-16 and go some way to providing a baseline for understanding any changes resulting from revisions to the remit. The remit for 2015-16 will ask Careers Wales

to give particular attention to evaluating the effectiveness and satisfaction of clients with the new and revised web-based services (as previous surveys focused on a very different model of web and telephone delivery).

I hope this response is sufficient to provide clarification on your points raised.

Yours sincerely

A handwritten signature in cursive script, appearing to read 'Huw Lewis', written in black ink.

**Huw Lewis AC / AM**

Y Gweinidog Addysg a Sgiliau  
Minister for Education and Skills